**OFFICE OF INSPECTOR GENERAL**
UNITED STATES POSTAL SERVICE

**HIGHLIGHTS**

December 9, 2011

**Postal Service Pricing Strategy**

Report Number CI-AR-12-002

### IMPACT ON:

Pricing management, existing customers, new customers, and employees.

### WHY THE OIG DID THE AUDIT:

Our initial objective was to determine an effective alternative option(s) to the U.S. Postal Service's current pricing strategy. As our work progressed, we modified our objective to determine the Postal Service's adequacy and agility for managing existing prices and introducing new prices to ensure cost coverage and protect revenue.

### WHAT THE OIG FOUND:

There are over 7,600 domestic prices for the three product lines and almost 50 percent of these prices contain low to no mail volume. In addition, customers must use a *Domestic Mail Manual* that is more than 1,700 pages in order to do business with the Postal Service. Also, quarterly volume and revenue data used to support product pricing is approximately 140 days old. The Postal Service relies on statistical sampling data, because the data cannot be completely obtained from its accounting systems. By comparison, its domestic competition has easily available real-time product data.

### WHAT THE OIG RECOMMENDED:

We recommended the Postal Service develop a strategic plan to simplify pricing supported by real-time volume and revenue data as envisioned by the Postal Accountability and Enhancement Act of 2006 allowing management to make competitive decisions in the market place. In addition, we recommended developing and implementing an optimized, modern pricing structure to reduce barriers to new market entrants and promoting ease of use.

### WHAT MANAGEMENT SAID:

Management agreed there is room for simplification of price tables in products heavily used by consumers and it has plans to implement simpler pricing options in January 2012. Additionally, it is currently reviewing its costing systems and revenue and volume reporting and has chartered an initiative to optimize pricing.

### AUDITORS' COMMENTS:

Management's comments are responsive to the recommendations and the stated corrective actions should resolve the issues identified in the report.